Strategic Resources

Financial Statements

For the years ended December 31, 2018 and 2017
Expressed in Canadian Dollars

Contents

Crowe

Crowe MacKay LLP
1100 - 1177 West Hastings St.
Vancouver, BC V6E 4T5
Main +1 (604) 687-4511
Fax +1 (604) 687-5805
www.crowemackay.ca

Independent Auditor's Report

To the Shareholders of Strategic Resources Inc.

Opinion

We have audited the financial statements of Strategic Resources Inc. ("the Company"), which comprise the statements of financial position as at December 31, 2018 and December 31, 2017 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial statements which describes the material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the management's discussion and analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Keith L. Gagnon.

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, British Columbia
March 29, 2019

Strategic Resources Inc.

Statements of Financial Position

(Expressed in Canadian Dollars)

	Notes		**December 31, 2018**		December 31 2017
ASSETS					
Current Assets					
Cash and cash equivalents	**5**	**$**	**36,253**	$	80,682
Receivables	**6**		**509**		5,646
TOTAL ASSETS		**$**	**36,762**	$	86,328
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	**7**	**$**	**27,925**	$	17,358
TOTAL LIABILITIES			**27,925**		17,358
SHAREHOLDERS' EQUITY					
Share capital	**8**		**9,878,287**		9,878,287
Contributed surplus warrants	**9**		**4,864,517**		4,864,517
Contributed surplus options	**9**		**2,343,981**		2,343,981
Accumulated deficit			**(17,077,948)**		(17,017,815)
TOTAL SHAREHOLDERS' EQUITY			**8,837**		68,970
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**36,762**	$	86,328

Ability to continue as a going concern (Note 2(d))
Subsequent event (note 15)

Approved on behalf of the Board:

/s/ Blair McIntyre	*/s/ Mark Tommasi*
Director	Director

The accompanying notes are an integral part of these financial statements.

Strategic Resources Inc.
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	Year Ended December 31 2018	2017
Operating expenses			
Office and miscellaneous		**$ 22,800**	$ 23,252
Personnel	**10**	**10,500**	10,200
Professional		**14,284**	17,707
Project evaluation and investigation		**12,549**	170,026
Loss and comprehensive loss for the year		**$ (60,133)**	$ (221,185)
Basic and diluted loss per share		**$ (0.01)**	$ (0.02)
Weighted average number of common shares outstanding		**9,173,302**	9,173,302

The accompanying notes are an integral part of these financial statements.

Strategic Resources Inc.
Statements of Cash Flows
(Expressed in Canadian Dollars**)**

	Year Ended December 31, 2018	2017
Cash flows from operating activities		
Loss for the year	**$ (60,133)**	$ (221,185)
Adjustment for item not affecting cash and cash equivalents		
Write-down of deposit recoverable	**5,009**	-
Changes in non-cash working capital items		
Receivables	**128**	4,264
Accounts payable and accrued liabilities	**10,567**	(29,423)
Cash flows used in operating activities	**(44,429)**	(246,344)
Decrease in cash and cash equivalents	**(44,429)**	(246,344)
Cash and cash equivalents, beginning of the year	**80,682**	327,026
Cash and cash equivalents, end of the year	**$ 36,253**	$ 80,682
Supplemental information with respect to cash flows		
Interest paid in cash	**$ -**	$ -

The accompanying notes are an integral part of these financial statements.

Strategic Resources Inc.

Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Share Capital		**Contributed Surplus**			
	Number of Shares	Amount	Share-based Payments	Warrants	Accumulated Deficit	Total
Balance at December 31, 2016	9,173,302	$ 9,878,287	$ 2,343,981	$ 4,864,517	$ (16,796,630)	$ 290,155
Loss and comprehensive loss for the year	-	-	-	-	(221,185)	(221,185)
Balance at December 31, 2017	9,173,302	9,878,287	2,343,981	4,864,517	(17,017,815)	68,970
Loss and comprehensive loss for the year	-	-	-	-	(60,133)	(60,133)
Balance at December 31, 2018	9,173,302	$ 9,878,287	$ 2,343,981	$ 4,864,517	$ (17,077,948)	$ 8,837

The accompanying notes are an integral part of these financial statements

1. CORPORATE INFORMATION

Strategic Resources Inc. (the "Company") was incorporated under the Ontario *Business Corporation Act* on October 25, 2004 and received continuation under the British Columbia *Business Corporation Act* on June 7, 2016. The Company is listed on the TSX Venture Exchange ("TSX-V"), having the symbol STI.

The Company is in the process of evaluating mineral property opportunities. On the basis of the information it has available to date, the Company has not yet determined whether it will proceed with acquiring an interest in the mineral properties it is evaluating. It is not determinable if the Company will be able to complete an acquisition of any mineral property it is evaluating.

The address of the Company's registered office and principal place of business is Suite 2900, 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1J5.

2. BASIS OF PREPARATION

a) Statement of Compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, and the interpretations of the International Financial Reporting Interpretations Committee.

These financial statements were authorized for issuance by the Board of Directors of the Company on March 29, 2019.

b) Basis of measurement

These financial statements have been prepared on a historical cost basis, except for financial instruments that are stated at fair value.

The financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar, unless otherwise indicated.

c) Use of estimates and judgments

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenues and expenditures. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. They form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and further periods, if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Note 3.

2. BASIS OF PREPARATION (continued)

d) Ability to continue as a going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, these financial statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern, and therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the financial statements. The Company does not have sufficient cash and cash equivalents to meet its operating and project evaluation expenditures it anticipates requiring during the next twelve months and will require additional financing. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

e) Subsidiaries

In addition to the Company, the financial statements include its subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. They are deconsolidated from the date that control by the Company ceases. The Company currently has no subsidiaries.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, and in the period of the change and future periods, if the change affects both. Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustments to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability, including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the actual outcome may result in a materially different outcome than the amount included in the tax liabilities.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Going concern

Judgment is required in determining whether the Company is a going concern (see Note 2(d)).

4. SIGNIFICANT ACCOUNTING POLICIES

a) Mineral properties

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property will be capitalized as an intangible asset, being a mineral property under development. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

b) Asset retirement obligation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and property and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

c) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprises cash at banks and on hand and/or short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

d) Share capital

The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. The Company’s common shares are classified as equity instruments. Commissions paid to agents and other related share issuance costs on the issue of the Company’s shares are charged directly to share capital, net of tax.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Loss per share

Basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The treasury stock method is used to determine the dilutive effect of stock options and share purchase warrants. Under the treasury stock method, the weighted number of common shares outstanding used in the calculation of diluted loss per share assumes that the deemed proceeds received from the exercise of stock options, share purchase warrants and their equivalents would be used to repurchase common shares of the Company at the average market price during the period. During the years ended December 31, 2018 and 2017, the impact of potentially dilutive instruments was anti-dilutive.

f) Warrants

The Company has adopted the residual value method with respect to the valuation of warrants issued as part of a private placement unit. The residual value method allocates the net proceeds to the common shares up to their fair value, as determined by the current quoted trading price on the announcement date, and the balance, if any, to the attached warrants.

g) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Share-based payments

Share-based payment transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payments, whereby employees receive consideration in the form of equity instruments for services rendered ("equity-settled transactions").

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the value of the goods and services received are measured at fair value of the share-based payment.

Equity-settled transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which equity instruments are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in shareholders' equity (deficit), over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date and incorporates the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized at the beginning and end of that period and the corresponding amount is represented in contributed surplus for share-based payments.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled transaction are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment or is otherwise beneficial to the employee, as measured at the date of modification.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital along with any consideration paid. Costs incurred related to the issuance of shares are recorded as a reduction of share capital.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of the vesting and recognizes the amount that otherwise would have been recognized for the services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Taxation

Income tax expense represents the sum of current and deferred income tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences. Carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures. Deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income taxes relating to items recognized directly in equity are recognized in equity and not in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Taxation (continued)

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

j) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

k) Foreign currency transactions

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional and presentation currency of the Company is the Canadian dollar.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise.

l) Financial instruments

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. Financial instruments are recognized at a trade date when the Company commits to purchase or sell the asset.

<u>Financial assets</u>

Financial assets are designated at recognition at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost. All financial assets not classified at amortized cost or fair value through other comprehensive income are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. The Company's cash and cash equivalents are classified as FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial instruments (continued)

Financial assets (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

A financial asset that is an equity investment may be designated at FVOCI upon an irrevocable election at initial recognition and will recognize changes in fair value through other comprehensive income.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Company has transferred them, and all the risks and rewards of ownership have been substantially transferred.

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset is impaired. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as amortized cost or FVTPL.

- Financial liabilities classified at amortized cost are initially recognized at fair value less directly attributable transaction costs. After initial recognition, the liabilities are subsequently measured at the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified at amortized cost.

- Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through profit or loss. The Company has not classified any financial liabilities as FVTPL.

- The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial instruments (continued)

The following table illustrate the classification and measurement of financial assets and financial liabilities under IAS 39 and IFRS 9 on January 1, 2018:

	Classification and measurement under	
	IAS 39 (previous standard)	**IFRS 9 (new standard)**
Financial assets		
Cash and cash equivalents	Financial assets at FVTPL	Financial assets at FVTPL
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities at amortized cost	Financial liabilities at amortized cost

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Inputs for assets or liabilities that are not based on observable market data.

m) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Recently adopted accounting pronouncements

i. IFRS 9 *Financial Instruments*

IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. IFRS 9 replaces the multiple category and measurement models in IAS 39 *Financial Instruments: Recognition and Measurement* for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. Additional amendments include introduction of a new hedge accounting model and a new expected-loss impairment model. The adoption of this standard has had no impact on the Company's financial statements.

ii. IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. The adoption of this standard has had no impact on the Company's financial statements.

iii. Amendments to IFRS 2 *Share-based Payment*

These amendments added guidance that introduces accounting requirements for cash-settled share-based payments that follow the same approach as used for equity-settled share-based payments. They introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety, provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature. Finally, they clarify the accounting treatment in situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The adoption of this standard has had no impact on the Company's financial statements.

o) Future accounting pronouncements

IFRS 16 *Leases*

The new standard will replace IAS 17 *Leases* and eliminates the classification of leases as either operating or finance leases by the lessee. The treatment of leases by the lessee will require capitalization of all leases resulting in an accounting treatment similar to finance leases under IAS 17. Exemptions for leases of very low value or short-term leases will be applicable. The new standard will result in an increase in lease assets and liabilities for the lessee.

Under the new standard the treatment of all lease expense is aligned in the statement of earnings with depreciation, and an interest component recognized for each lease, in line with finance lease accounting under IAS 17. IFRS 16 will be effective for the Company's December 31, 2019 year-end. The Company is currently evaluating the impact this standard is expected to have on its financial statements.

(Expressed in Canadian Dollars, unless otherwise stated)

5. CASH AND CASH EQUIVALENTS

		2018		2017
Cash	**$**	**1,253**	$	2,682
Redeemable guaranteed investment certificates		**35,000**		78,000
	$	**36,253**	$	80,682

The cash and cash equivalents held at December 31, 2018 and 2017 were on deposit with a national Canadian chartered bank.

6. RECEIVABLES

The balance at December 31, 2018 consists of $509 (2017 - $637) of Goods and Services Tax recoverable from the Government of Canada and $nil (2017 - $5,009) receivables from the disposal of Red Basin, LLC. This receivable was written down during the year as the timing and likelihood of recovery is indeterminable.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of amounts outstanding for trade purchases for operating and financing activities. The usual credit period taken for trade purchases is 30 days.

		2018		2017
Trade payables and accruals	**$**	**27,925**	$	17,358

8. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value.

b) Issued

During the years ended December 31, 2018 and 2017, there were no share capital transactions.

9. EQUITY AND RESERVES

a) Nature and purpose of equity and reserves

The reserves recorded in equity on the Company's statement of financial position include Contributed Surplus Warrants, Contributed Surplus Options and Accumulated Deficit.

- *Contributed Surplus Options* is used to recognize the fair value of option instruments granted by the Company.
- *Contributed Surplus Warrants* is used to recognize the fair value of warrant instruments issued by the Company.
- *Accumulated Deficit* is used to record the Company's change in deficit from net income or loss and comprehensive income or loss from period to period.

(Expressed in Canadian Dollars, unless otherwise stated)

9. EQUITY AND RESERVES (continued)

b) Stock options

The Company uses the Black-Scholes option pricing model to determine the fair value of incentive options granted. This model requires the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share options and warrants.

During the year ended December 31, 2018, the Company received shareholder approval to implement a stock option plan pursuant to which options to purchase common shares could be granted to certain officers, directors, employees and consultants at the higher of market price less an applicable discount from market price, as allowed by TSX-V regulations.

The plan allows for the issuance of up to 10% of the issued and outstanding common shares. Options may have a maximum term of 10 years. The following table summarizes incentive share option activity:

	Number of Options	Weighted Average Exercise Price	Contributed Surplus – Options
Balance, December 31, 2016, 2017 and 2018	**-**	**$ -**	**$ 2,343,981**

There were no options granted during the years ended December 31, 2018 and 2017.

c) Warrants

The Company has issued share purchase warrants ("warrants") as part of units issued in private placements for cash in the past. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common shares and any residual value is allocated to the warrants.

The following table summarizes warrants activity:

	Number of Warrants	Weighted Average Exercise Price	Contributed Surplus – Warrants
Balance, December 31, 2016	**200,000**	**$ 0.25**	**$ 4,864,517**
Expired	(200,000)	$ 0.25	-
Balance, December 31, 2017 and 2018	**-**	**-**	**$ 4,864,517**

There were no warrants issued during the years ended December 31, 2018 and 2017.

(Expressed in Canadian Dollars, unless otherwise stated)

10. RELATED PARTY TRANSACTIONS AND BALANCES

The financial statements include balances and transactions with directors and/or officers of the Company and/or corporations related to or controlled by them.

a) Key management personnel

Compensation to key management, which consists of its officer and directors, for the years ended December 31, 2018 and 2017 was as follows:

		2018		2017
Short-term employee benefits	**$**	**10,500**	$	10,200

b) Related party balances

There were no amounts due from or due to related parties at December 31, 2018 and 2017.

11. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure that optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and makes adjustments, based on the funds available to the Company, in order to support its business activities and to safeguard the Company's ability to continue as a going concern. The capital structure of the Company consists of components of equity attributable to common shareholders' equity as follows:

		2018
Share capital	**$**	**9,878,287**
Contributed surplus		**7,208,498**
	$	**17,086,785**

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2018.

The Company's investment policy is to invest its excess cash in low risk, highly liquid short-term interest-bearing investments, selected with regard to the expected timing of upcoming expenditures. The Company will raise additional funds to carry its operations through its upcoming operating period and to satisfy its obligations.

(Expressed in Canadian Dollars, unless otherwise stated)

12. INCOME TAXES

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

		2018		2017
Loss and comprehensive loss for the year	$	**(60,133)**	$	(221,185)
Combined statutory rate		**27%**		26%
Expected income tax recovery		**(16,000)**		(58,000)
Effect of tax rate change		**(89,000)**		-
Change in unrecognized tax assets		**105,000**		58,000
Income tax expense (recovery)	$	**-**	$	-

The Canadian statutory income tax rate of 27% (2017 - 26%) is comprised of the federal income tax rate of 15% (2017 - 15%) and the provincial income tax rate of 12% (2017 - 11%). The Company has $643,000 in allowable capital losses and $3,466,000 in non-capital losses for which no benefit has been recognized in these financial statements. Non-capital losses expire as follows:

2026	$	195,000
2027		311,000
2028		301,000
2029		723,000
2030		492,000
2031		122,000
2032		254,000
2033		249,000
2034		220,000
2035		171,000
2036		141,000
2037		224,000
2038		63,000
	$	**3,466,000**

(Expressed in Canadian Dollars, unless otherwise stated)

12. INCOME TAXES (continued)

The significant components of the Company's deductible temporary differences and unrecognized deferred income tax assets after applying enacted corporate tax rates at December 31, 2018 and 2017 are as follows:

		2018		2017
Non-capital loss carry-forward	**$**	**3,466,000**	$	3,404,000
Allowable capital loss carry-forward		**643,000**		643,000
Mineral properties and deferred exploration		**4,218,000**		4,218,000
Property and equipment		**631,000**		631,000
Share issuance cost		**5,000**		8,000
		8,963,000		8,904,000
Statutory rates		**27%**		26%
		2,420,000		2,315,000
Unrecognized deferred income tax asset		**(2,420,000)**		(2,315,000)
Deferred income tax assets (liabilities)	**$**	**-**	$	-

13. FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows: cash and cash equivalents are classified as FVTPL; and accounts payable and accrued liabilities, as amortized cost. The carrying values of these instruments approximate their fair values due to their short term to maturity.

The following table sets forth the Company's financial assets measured at fair value by levels within the fair value hierarchy.

December 31, 2018	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ **36,253**	$ -	$ -	$ **36,253**

The Company has exposure to credit risk, liquidity risk and market risk from its use of financial instruments:

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash and cash equivalents, by placing it at major Canadian financial institutions. The Company has minimal credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at December 31, 2018, the Company had working capital of $8,837 (2017 - $68,970). In order to meet its 2019 operating requirements, the Company intends to secure further financing (note 15). There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or abandon pursuing or evaluating exploration projects.

13. FINANCIAL INSTRUMENTS (continued)

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

i) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash and cash equivalents is at nominal interest rates, and therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.

The Company is not exposed to significant interest rate risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term, is invested in short-term guaranteed investment certificates, as appropriate.

ii) Currency risk

The Company's operations are primarily conducted in Canadian dollars. Management believes that foreign currency risk derived from currency conversions is negligible, and therefore, does not hedge its foreign currency risk.

iii) Other Price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is exposed to other price risk on its marketable securities.

14. SEGMENTED INFORMATION

a) Operating segment

At December 31, 2018, the Company's operations comprise a single reporting operating segment engaged in property investigation. The Company did not generate any revenues during the years ended December 31, 2018 and 2017. The amounts disclosed in these financial statements represent the Company's single operating segment amounts.

b) Geographic segment

The Company's operations for the years ended December 31, 2018 and 2017 were in Canada. All of the assets at December 31, 2018 and 2017 were in Canada.

15. SUBSEQUENT EVENT

The Company entered into a loan agreement for proceeds of $100,000 under the following terms:

a) the loan will bear interest at the rate of 1% per month, payable on maturity;

b) the loan will mature on the earlier of February 5, 2021 or the date the Company closes an equity financing of at least $1,000,000;

c) the Company issuing 434,780 bonus warrants to the lender, each warrant entitling the lender to acquire one common share of the Company at $0.23 for two years; and

d) the loan be unsecured.